cipd

Research report
November 2014

HR: Getting smart about agile working

WORK   WORKFORCE   WORKPLACE

Championing better work and working lives

The CIPD's purpose is to **champion better work and working lives** by improving practices in people and organisation development, for the benefit of individuals, businesses, economies and society. Our research work plays a critical role – providing the content and credibility for us to drive practice, raise standards and offer advice, guidance and practical support to the profession. Our research also informs our advocacy and engagement with policy-makers and other opinion-formers on behalf of the profession we represent.

To increase our impact, in service of our purpose, we're focusing our research agenda on three core themes: the future of **work**, the diverse and changing nature of the **workforce**, and the culture and organisation of the **workplace**.

WORK

Our focus on work includes what work is and where, when and how work takes place, as well as trends and changes in skills and job needs, changing career patterns, global mobility, technological developments and new ways of working.

WORKFORCE

Our focus on the workforce includes demographics, generational shifts, attitudes and expectations, the changing skills base and trends in learning and education.

WORKPLACE

Our focus on the workplace includes how organisations are evolving and adapting, understanding of culture, trust and engagement, and how people are best organised, developed, managed, motivated and rewarded to perform at their best.

About the CIPD

The CIPD is the professional body for HR and people development. We have over 130,000 members internationally – working in HR, learning and development, people management and consulting across private businesses and organisations in the public and voluntary sectors. We are an independent and not-for-profit organisation, guided in our work by the evidence and the front-line experience of our members.

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Contents

Acknowledgements

Introduction

The complexity and the fast pace of change in today's business world have put a premium on the ability of organisations to respond to change in a speedy and effective manner. According a report by the Economist Intelligence Unit (2009), nearly 90% of senior executives surveyed across the world believe that organisational agility (ability to anticipate and address the forces affecting the business) is critical for business success. These findings resonate with the responses to the CIPD *Labour Market Outlook* summer 2014 (CIPD 2014a), where 'smart working' was named as one of the top tactics to improve productivity by 56% of organisations in the UK, including 60% of organisations in the public sector.

The need to increase organisational agility is also driven by the changing needs of the workforce. An increasingly diverse working population means that more people require and expect enhanced flexibility to help them balance their lives at work and at home, manage a range of different caring responsibilities and transition into retirement, for example, by reducing hours or through adaptations to how they work (CIPD 2012).

The interest in working in a more agile way has the potential to offer organisations practical solutions to not only meet the evolving needs of their workforce, but also control operational costs, while finding competitive advantage in greater customer focus and innovation. Previous CIPD research (2008) provides evidence of the business benefits observed by some organisations that introduced flexible working, flexible physical work environments, technology supportive of collaboration, and management practices that are conducive to greater employee autonomy and empowerment at work. More recent case studies from the Agile Future Forum (2013) summarise further reasons for rethinking how businesses operate in the present, plan for the future, and organise their workforce, workplace and work processes.

What this accumulating evidence on the benefits of agility demonstrates is that the challenge of agility is directly linked to people management practices. The top traits of the 'agile' business include a high-performance culture, flexibility of management practices and resources, and organisational structures that support collaboration, rapid decision-making and execution (Economist Intelligence Unit 2009). People management practitioners, therefore, can play a key role in creating and maintaining such organisational structures and cultures – through change management, organisational design, talent acquisition and development, and performance management (CIPD 2013a, Accenture 2013).

There is clearly a growing appetite for re-imagining organisations and the ways of working, building organisational environments geared for collaboration, innovation and ongoing – rather than intermittent – adaptation. At the same time, it is not clear what level of sophistication in designing and implementing smart and agile working practices organisations – and particularly HR practitioners – have been able to adopt. Equally, there is a concern that even where such practices are being implemented, the HR teams themselves are not effective enough in tackling the wider organisational barriers, such as habit, lack of flexibility and diversity, and short-term thinking, that lie at the core of the adaptability and agility challenge (CIPD 2013a).

Note on methodology
Findings of this research draw on:

1 A survey of 633 HR leaders (individuals with overall HR responsibility, even where there was no dedicated HR function in the organisation) in the private, public and voluntary sector in the UK. See Appendix 1 for more detail.

2 A survey of 1,132 employees in the UK, representative of the UK working population, and an additional sample of 508 individuals employed in 'non-standard' jobs (for example, those in part-time, temporary roles and self-employed individuals).

3 Case studies with organisations building agile workforces and developing agile ways of working. See Appendix 2.

In addition, we invited a small group of practitioners and consultants to help us interpret survey findings and put those in the context of a likely experience of an HR practitioner in an organisation to help us shape an understanding of the implications of the agility imperative for the profession.

1 What is agile working and why does it matter?

The term 'agility' in the business context can refer to workforce agility (flexibility in matching workforce fluctuations to demand), and operational agility (responsiveness and adaptiveness of processes and structures).

Looking at workforce agility, the Agile Future Forum (2013) describes agile working as a set of practices that allow businesses to establish an optimal workforce and provide the benefits of a greater match between the resources and the demand for services, increased productivity, and improved talent attraction and retention. These practices span four dimensions:

- Time: when do people work? (for example, part-time, shifts, staged retirement).
- Location: where do people work? (for example, homeworking, across multiple sites).
- Role: what do people do? (for example, multi-skilling, secondments, job rotation).
- Source: who is employed? (for example, permanent employees, crowdsourcing, outsourcing).

With regard to processes, structures and ways of working, CIPD Shaping the Future research (2011) defines agility as the *'ability to stay open to new directions and be continually proactive, helping to assess the limits or indeed risks of existing approaches and ensuring that leaders and followers have an agile and change-ready mindset to enable them and ultimately the organisation to keep moving, changing, adapting'.*

While agility is overall associated with responsiveness to change, and sometimes with flexibility in matching organisational resources to demand in services, 'agile' also has specific meanings, emerging from applications of particular methodologies in manufacturing and software development.

'Agile manufacturing' has developed as a production technology that enhances 'lean' manufacturing by a greater emphasis on adaptability of change, for example, through its potential for fast customisation

of products, as opposed to mass manufacturing and optimisations in lean. Agile does not exist in isolation and uses many principles of lean (such as continuous improvement), but applies those to the process and the way of working as a whole, rather than to the product. Agile teams rely on self-organisation, iterations, customer centricity, knowledge-sharing and collaboration, and mutual trust (see, for example, Ravet 2011).

'Agile' can also mean a software development approach that is based on the principles of:

- individuals and interactions over processes and tools
- working software over comprehensive documentation
- customer collaboration over contract negotiation
- responding to change over following a plan (Beck et al 2001).

A related concept is 'smart working' which is defined as *'an approach to organising work that*

Figure 1: Use of the word 'agility' in organisations

29% of organisations in the survey use the word 'agility'

34% mean ability to match resources to demand

59% refer to adaptive capacity of processes and structures
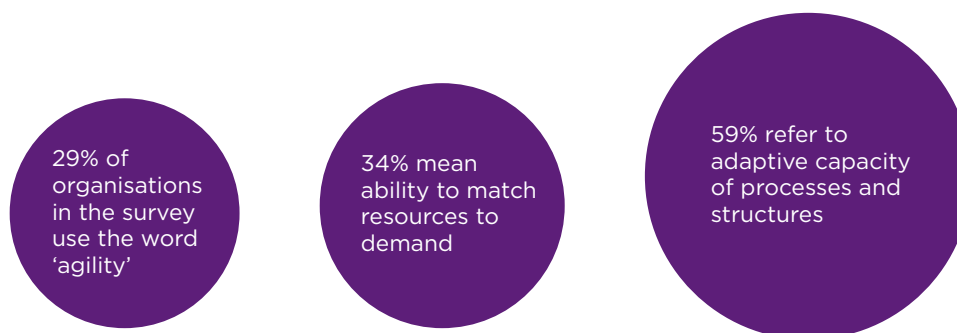
aims to drive greater efficiency and effectiveness in achieving job outcomes through a combination of flexibility, autonomy and collaboration, in parallel with optimising tools and working environments for employees' (CIPD 2008). It is characterised by:

- a high degree of autonomy and a philosophy of empowerment
- concepts of virtuality in teams or work groups
- outcome-based indicators of achievement
- flexible work location and hours
- flexible physical work environment conditions that support collaboration
- high-trust working relationship
- alignment of smart working with

business objectives to create a 'triple win' for the organisation, its employees and its customers.

The research highlighted a few case studies of introducing smart working practices across four areas of organisational practice (including physical work environment, technology, high-performance working and management values) (CIPD 2008). More recently, the UK Government has launched a programme of shift towards a 'smart working culture', based on the principles of flexible working being the norm, with a focus on effectiveness in choosing where and when people work, technological support for virtual collaboration, and outcome-based

rather than office presence-based performance measures. In setting the standards of best practice for smart working, the Cabinet Office (2014) smart working maturity model emphasises that there is a need to shift from isolated initiatives targeting specific employee and organisational outcomes (such as ad hoc flexibility and work–life balance initiatives) to a systemic cultural shift that is aligned with the business strategy.

Lean or agile?
One of the challenges with building agile workforces and working in an agile way is the legacy of rigorous cost management and close control in efficiency-led approaches (CIPD 2011). The current survey of HR

Figure 2: Which, if any, of the following are CURRENT priorities for your organisation?
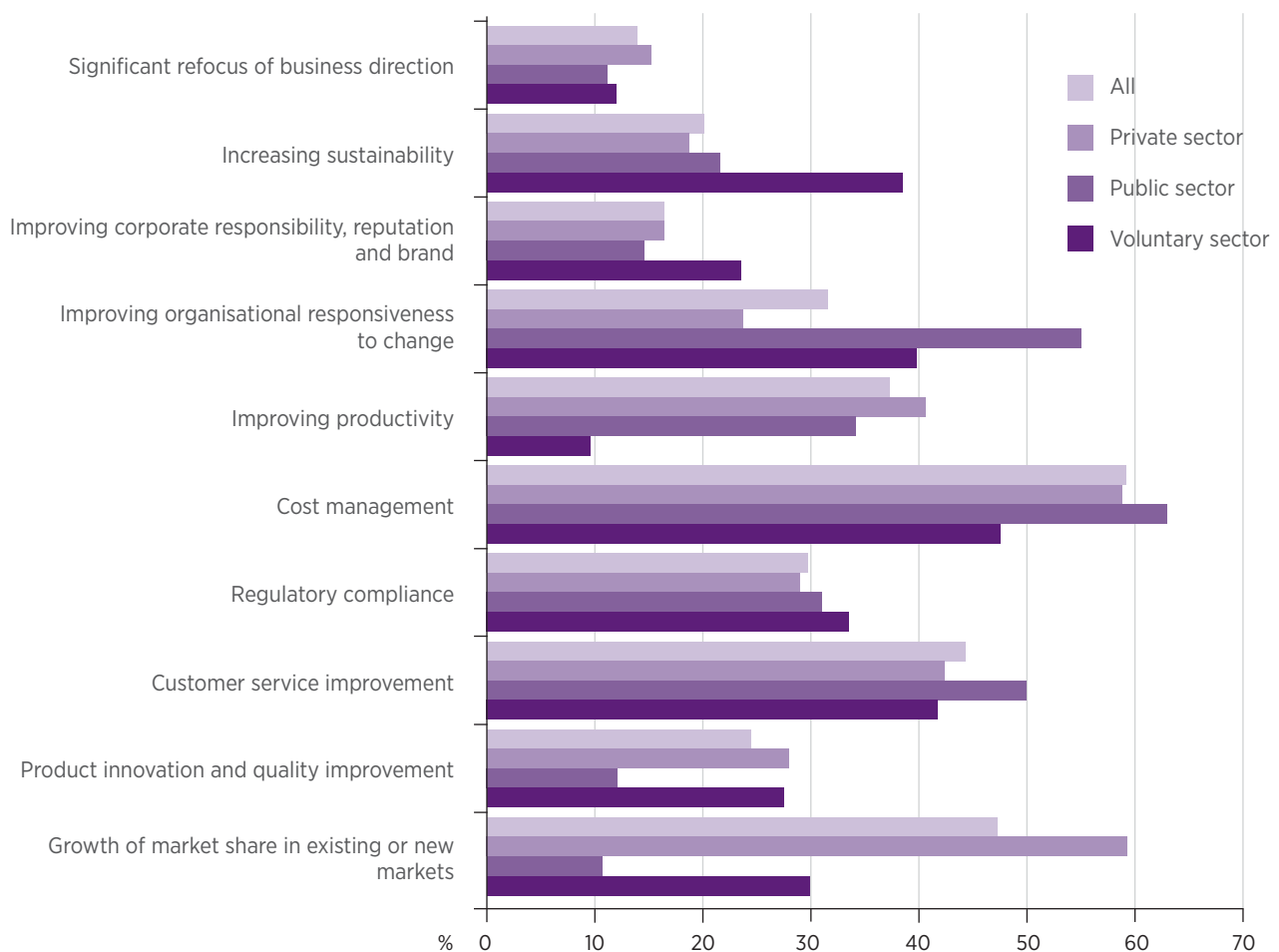
leaders in the UK confirms that despite an interest in developing innovation and agility potential, a focus on close resource management remains a priority for many, with 59% of organisations focusing on costs and 30% focusing on regulatory compliance as one of their top five current priorities. On the other hand, only a quarter of organisations are focusing on product innovation and quality improvement, and just under a third are improving organisational responsiveness to change, although 44% are working to improve customer service.

Unsurprisingly, the balance between resource management and product innovation/quality improvement is skewed more towards cost concerns in the public sector, compared with the private sector. At the same time, public services are considerably more concerned with improving organisational responsiveness to change, ahead of the other sectors (55% of organisations in the public sector, compared with only 24% in the private sector). Overall, only 24% of the HR leaders in the sample said their organisations are focusing on cost management/ regulatory compliance and improving organisational responsiveness to change/product innovation at the same time.

There are differences in the focus between SMEs and large organisations (those employing more than 250 staff). Smaller organisations are more likely to be focused on growth, while product innovation and quality improvement, sustainability and productivity increase are as important for them as for large organisations. On the other hand, larger companies are more concerned with improving organisational responsiveness to change (38% agree compared with 22% of SMEs) while maintaining the focus on cost management (65% compared with 51% of SMEs).

Changing workforce expectations
On the other hand, the agility agenda is also driven by the changing workforce expectations and, therefore, an opportunity for organisations to find the 'sweet spot' where value can be generated both for the employee and for the business. There is a marked shift towards the so-called 'independent' careers, where individuals' preferences are described by holding multiple jobs over the course of a career, lateral rather than upwards moves, and the diminishing centrality of work in individuals' lives.

Table 1: Career preferences of employees in 'standard' and 'non-standard' jobs in 2005 and 2014 (%)

Preferences associated with an 'independent' career	All employees	2005 response	Employees in 'non-standard' jobs	All employees	2005 response	Employees in 'non-standard' jobs	Preferences associated with a 'traditional' career
Being employable in a range of jobs	26	27	52	74	73	48	Having job security
Managing your own career	77	80	86	23	20	14	Having your organisation manage your career for you
A short time in a lot of organisations	14	12	33	86	88	67	A long time with one organisation
A series of jobs at the same kind of level	67	45	73	33	55	27	Striving for promotion into more senior posts
Living for the present	45	45	50	55	55	50	Planning for the future
Work as marginal to your life	72	52	76	28	48	25	Work as central to your life
A career is not important to you	59	42	65	41	58	35	Career success is very important to you
A job you really like	78	85	87	22	15	13	A job that pays lots of money
Commitment to yourself and your career	77	80	23	23	20	77	Commitment to the organisation
A social life built around work	9	11	10	91	89	90	A social life away from work
Spend what you've got and enjoy it	39	47	43	61	53	57	Save for the future
A clear boundary between work and home	86	82	77	14	18	23	Take work home
Go for early retirement	53	54	45	47	46	55	Work as long as you're able

Note: Respondents could express preference towards one of the pair of options, presented at the opposite columns of the table. The figures indicate the proportion of those who selected one or the other option.

Comparing individual career preferences reported in the 2014 survey with those from 2005 (Guest and Conway 2005), expectations of the promotion to more senior levels have shifted the most, with only 33% of respondents expressing their preference to strive for promotion over having a series of jobs at the same level. Similarly, work is central to the life of 28% of employees, compared with almost half of the sample in 2005. At the same time, the respondents are more likely to prefer the job that pays more money over the job they really like, compared with 2005, although the proportion of employees expressing this preference is only at 22% (see Table 1).

Interestingly, employees who we have identified as employed in 'non-standard' jobs (part-time, on fixed-term contracts, self-employed, or the ones whose work pattern and workplace are not stable most of the time) seem to be even more independent in their approach to their career compared with the main employee sample. In addition, they have stronger preferences for jobs they like (over the ones that

pay more) and are willing to work as long as they are able to, instead of going for an early retirement. For example, CIPD (2013b) earlier research on employees on zero-hour contracts demonstrated that just under half of those workers are satisfied with their contract type, although this is not true of all employees with no minimum guaranteed hours of work. In the current employee survey, 35% of employees in the main sample and 34% of those in 'non-standard' jobs said they would like to change their working arrangements, including 47% of 'atypical' workers who said they would like to have a permanent job.

In line with the changing career expectations, the norm of when and where people work is also changing. Changing the start/finish time of the working day (43%), decreasing the number of hours worked (35%), changing the number of days worked (31%) and being able to vary working pattern day to day are the top preferences of employees who say they would like to change their working arrangements (28%). Just over a fifth (21%) say they would like more

flexibility over where they work, while 10% would like more stability in that respect. At the same time, finding mutually beneficial flexible working solutions can offer benefits both to employees and organisations, for example, improving productivity (Agile Future Forum 2013).

Gaining more control over working patterns may be linked to the fact that just under half of employees (47%) regularly work extra in addition to fixed hours. Although the key cause for that is the workload volume, other reasons for working extra suggest that flexibility in working hours may suit both the business and the employee: 30% of employees work outside of their fixed hours to match customer demand, and 14% say they do so to match their preferred pace of work. However, only 2% work extra because their job is linked to their hobbies or pastimes.

Similarly, 45% of employees (and 65% of those in 'non-standard' jobs) say they take phone calls or respond to emails/messages outside of their core hours (a further 11% and 8% read the

Table 2: Reasons for regularly working extra hours (%)		
Reasons for working extra hours regularly	**All employees**	**Employees in 'non-standard' jobs**
Because of workload volume	72	51
To match customer demand	30	45
Want to get a head start, for example clearing emails on Sunday night	21	12
Working extra helps me show commitment and can aid my career	15	17
Feel guilty to leave the office on time/pressure to keep up with colleagues	15	8
Prefer to spread my work over the day and work at my own pace	14	10
Use this time to develop new ideas	7	9
My work is closely linked to my hobby/pastimes	2	8
Other	9	16

messages but do not respond while not in work). Of those, only 10% do so as part of the formal requirement (for example being on call), and 29% admit there is an informal expectation to remain contactable outside of working hours. However, 36% of employees (and 43% of those in 'non-standard' jobs) say staying contactable is their personal choice.

The norm of *where* people work is changing as well, with only 45% of employees saying they work from the company's core office most of the time, and 64% staying at the same desk most of the time. Only 7% work from home most of the time (and 51% never work from home), although the same is true of 22% of employees in 'non-standard' jobs.

Table 3: Reasons why employees remain contactable outside of working hours (%)	All employees	Employees in 'non-standard' jobs
Required formally, as part of my job (for example on call)	10	7
Expected informally, because of the nature of my job (for example client work)	29	27
Feel pressure to be contactable, as my boss/ team members are	12	4
I feel anxious to miss something important if I don't stay contactable	8	6
I choose to be contactable	36	43
Other	3	8

Figure 3: Employees staying contactable outside of core hours

45% take phone calls or respond to emails/ messages

11% read emails/ messages but do not respond

44% are not contactable when they are not at work

Table 4: Places where employees work (%)	Most of the time	At least once a week	At least quarterly	Less often but on occasion	Never
One of the organisation's core offices	45	6	5	7	36
One of my organisation's sites/hubs which is not my core office	7	7	8	18	61
In a co-working office with employees of other organisations	7	2	4	6	81
At the same desk	64	6	1	2	26
In the car	2	3	3	5	87
On the commute	3	4	4	9	80
At a library/cafe	1	1	3	6	89
From home	7	14	10	17	51
Customer/client site	10	5	6	15	65

Contribution of HR practices to delivering organisational agility strategy

In the context of the growing interest of business leaders in improving organisational responsiveness to change (while still focusing on the cost efficiencies), and the changing employee expectations around when and where they work, and what place work occupies in their lives, the HR function has the opportunity to use the people management practices to find mutually beneficial solutions for both employees and organisations, and improve organisational responsiveness to change through talent planning, training and development, job and organisation design, and cultural transformation. It can do so by supporting three organisational processes: (1) workforce flexibility to match the fluctuations in demands for services, (2) fast organisational knowledge-creation, and (3) reconfiguration and transformation of the organisational infrastructure (Nijssen and Paauwe 2010).

Looking specifically at how HR functions are supporting organisational responsiveness to change, both in the nature of work and the workforce expectations, we find that workforce and succession planning (mentioned by 64% of the HR leaders) and training and development (54%) are among the top three tactics used by practitioners. This is also supported by plans to improve the match between human resources and operational demands, mentioned by 45% of respondents.

High-performance working is the second area which HR leaders are planning to draw on to improve organisational responsiveness to change. Organisational design and restructure is the most popular tactic (47%) and performance management is also high on the agenda (43%). The public sector places a particular priority on these two tactics.

On the other hand, improving knowledge-sharing appears to be a tactic more commonly used in the private sector (50%), compared with the public sector (38%). Overall public sector organisations have more interventions on the go at the same time than private sector companies.

In the following sections of this report we review in detail how some of these smart and agile working practices are implemented in UK organisations and the barriers HR practitioners might be facing in supporting a more responsive organisation.

Table 5: Tactics used to improve responsiveness to change, by sector and size (%)	All	Private sector	Public sector	SME	Large
Workforce and succession planning	64	59	69	56	66
Improving leadership and management capability	64	58	69	56	67
Training and development	54	49	60	53	54
Organisation design/restructuring	47	39	55	42	49
Improving knowledge-sharing	46	50	38	43	47
Improving the match between human resources and operational demand	45	43	49	38	49
Increasing employee engagement and trust in the organisation	44	39	46	40	45
Performance management	43	40	47	42	44
Cultural transformation	42	39	45	33	46
Improving employee well-being and resilience	33	29	39	27	35
Improving HR service delivery (for example e-recruitment, creating shared service centre)	27	24	29	26	27
Adjusting employees' terms and conditions	23	17	29	24	23
Increasing workforce diversity	21	17	27	24	20
Reward management	15	11	18	19	14

Note: Voluntary sector organisations excluded because of small sample size.

2 Agile workforce

Our survey shows that in the context of changing customer demand, as well as evolving employee expectations, organisations are prioritising new ways of organising their workforce – ensuring a better match of resources and skills to the demand in the services, reviewing when and where people work, and how quickly they can move between roles if necessary. Already, the proportion of full-time permanent employees has been declining gradually, with about two-fifths of workers employed in 'non-standard' (mainly represented by part-time, temporary and self-employed) jobs (CIPD 2013c). At the same time, there is scope for a more agile resourcing model, in particular around tackling the cultural barriers to its provision and uptake (CIPD 2012).

In this section, we look at three sets of HR practices that support smart and agile resourcing:

1   Workforce composition – who works?

2   Workforce flexibility – when and where do they work?

3   Skills flexibility – how are the skills developed and updated?

Workforce composition

The first aspect of building an agile workforce is the composition of the workforce, which can be represented by a combination of permanent staff and employees on different types of fixed-term contracts. The latter are used by 86% of companies, although less so in SMEs (78% of organisations). Temporary staff are used most often, although self-employed contractors/freelancers are used by almost a third of all companies, and more commonly in SMEs, compared with large organisations.

The public sector is more likely to use the 'atypical' workforce (employees on temporary contracts, casual and agency workers) than the private sector. Interestingly, volunteers are used in 5% of private sector organisations and 38% of public sector organisations bring in additional staff when required.

Table 6: Types of workers organisations are currently employing (%)						
	All	**Private sector**	**Public sector**	**Voluntary sector**	**SMEs**	**Large**
Employees on fixed-term contracts	69	66	77	67	56	78
Casual workers (those who work on a flexible, irregular or 'as required' basis to fill a temporary need, but who are NOT supplied and paid by a third party agency)	36	31	49	49	30	40
Agency workers supplied by a third party agency for periods of up to 12 weeks	34	30	47	25	16	46
Agency workers supplied by a third party agency for periods of more than 12 weeks	23	18	43	17	7	35
Self-employed – independent contractors/freelancers	32	33	28	33	37	28
Outsourcing	32	32	37	15	28	34
Using volunteers	16	5	38	73	13	18
Bidding on tasks (free market bidding on tasks by non-employees)	7	5	11	7	4	9

Despite the fairly wide use of employees on non-permanent contracts, the proportion of these atypical workers to the whole of the workforce is relatively small. Only 5% of employees are reported to be employed on fixed-term contracts, and 6% are represented by self-employed contractors or freelancers (although the latter is as high as 11% in the SMEs).

The reasons for using 'atypical' workers emphasise the strategic intent to match the demand and supply in services more effectively, as highlighted by 52% of HR leaders. A number of more reactive approaches to agile resourcing still remains, equally represented by cost management concerns (31%) and willingness to take into account the individual preferences in the ways of working (31%), slightly more prevalent in the public than in the private sector.

Only 10% of HR leaders highlighted keeping wage – and 6% non-wage – costs down as one of their top reasons for employing atypical workers, while 28% believe these employees fill skills gaps (this is particularly characteristic of the public sector).

The reasons also differ between SMEs and large organisations. For example, 39% of SMEs use atypical working to provide flexibility for the individual compared with 27% of large companies. But only 16% are thinking about productivity improvements compared with 28% of large organisations.

Thinking about the challenges of using an atypical workforce, HR leaders appear to be mostly concerned with the risks of employing these workers (see Table 8). The key worry is the quality of work (35%), particularly prevalent in the private sector.

Table 7: Proportion of workforce employed on different type of contract (average %)						
	All	Private sector	Public sector	Voluntary sector	SMEs	Large
Full-time permanent employees	66	67	64	62	68	65
Part-time permanent employees	20	18	26	26	15	24
Employees on fixed-term contracts	5	5	5	7	5	5
Agency workers	3	3	4	2	2	4
Self-employed – independent contractors/freelancers	6	7	2	3	11	2

Figure 4: Top reasons for using atypical working arrangements
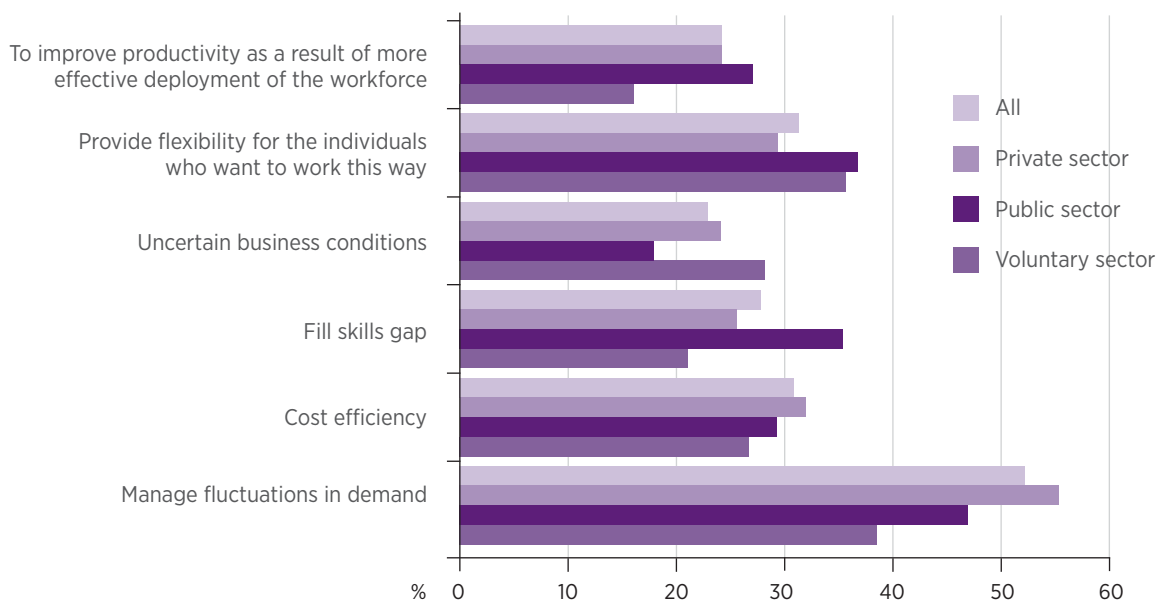
However, despite these concerns, organisations do not seem to be willing to invest in addressing those difficulties (see Table 9). For example, only half of organisations train casual staff, and only a third have performance appraisals for them. Agency workers and self-employed staff are even less likely to be covered by such arrangements. Similarly, despite the concerns about the lack of engagement among non-permanent staff, less than half of organisations include them in internal communications and/or consider these workers for recognition awards. The public sector is the least likely to cover atypical workers with these practices.

The tension between the concerns with the quality of work supplied by atypical staff and the lack of the training and performance management arrangements that could alleviate those concerns is likely explained by operational pressures, which surface in some of the barriers to flexible resourcing. This includes lack of capacity to manage performance of atypical workers (28%), the costs of recruitment, training and onboarding (29%), and the perceived disengagement of atypical staff (22%). Retaining the fairness of policies between different categories of staff is another issue, particularly pertinent for the public sector. Only 14% of organisations cited lack of interest among workers for atypical employment, and 14% raised concerns around organisational reputation and brand.

'Thinking about the challenges of using an atypical workforce, HR leaders appear to be mostly concerned with the risks of employing these workers.'

Table 8: Top barriers to offering atypical working arrangements (%)						
	All	Private sector	Public sector	Voluntary sector	SMEs	Large
Inconsistency in quality of work	35	37	30	24	33	36
Fairness of policies across different categories of staff	32	28	44	30	27	35
Cost associated with recruiting, training and onboarding non-permanent staff	29	29	29	25	23	32
Lack of capacity to manage performance of some of these workers	28	29	22	31	33	25
Staff disengagement	22	21	26	24	17	25

Table 9: Availability of people management practices to atypical workers (%)			
	Casual	Agency	Self-employed
Appraisals	33	13	11
Training and development	49	32	20
Sick pay	24	11	7
Recognition awards	23	10	8
Internal communications	47	36	28
None of these	12	17	16

'There are long-term advantages associated with improved employee work–life balance and job satisfaction.'

Flexible working

Flexible working at an individual employee level has also been linked to a number of business benefits, and constitutes one of the dimensions of 'smart working' (CIPD 2008, Cabinet Office 2014). First, there are some cost-efficiency considerations around improving the match between when and where people work, and the demand for their contribution. However, there are also long-term advantages associated with improved employee work–life balance and job satisfaction resulting from greater individual ownership over the ways in which people work.

Nevertheless, survey findings confirm that there is some way to go before the majority of organisations embrace and act on these benefits. Figure 5 shows that 62% of organisations (73% of large organisations) consider flexible working reactively, upon an employee's request. Less than half of HR leaders said that flexible options are open to all employees, reflecting the operational constraints in providing flexible working options. In 39% of cases flexible working is agreed informally with the line manager, while 41% of organisations would change formal contracts to reflect the changes (see Figure 5).

Figure 5: Provision of flexible working arrangements
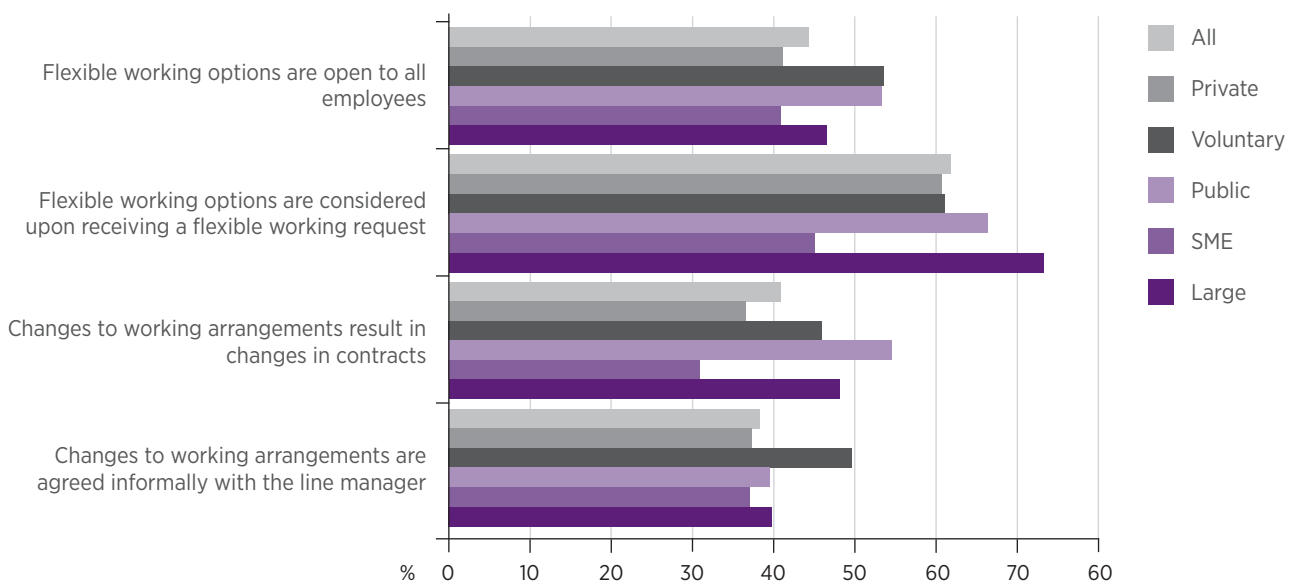
The current survey shows that 90% of organisations are offering some form of flexible working, with part-time working and 'flexi-time' being the most commonly used. Although greater than in the 2012 survey (85%), it is surprising that the proportion of employees is below 100% considering the introduction of the right to request flexible working to all employees in the UK. Private sector companies and SMEs are less likely to offer most forms of flexible working, with only 82% of HR leaders in SMEs saying that these forms of working are available in their organisations. Within the employee sample, 47% worked towards a fixed hour pattern and 24% of employees could choose the start and finish of their working day.

Flexible working options with more control given to the individual are less popular over standard flexible working forms. For example, output-based working (as opposed to fixed-hours-based) is only used in 5% of organisations, and annualised contracts (where the contract specifies the number of hours worked over a year rather than a week or month) in 15% of organisations (and only 6% of SMEs). In comparison, 7% of workers in the main employee sample, and 16% of 'atypical' workers, said they are working towards an agreed output rather than fixed hours.

Table 10: Provision of flexible working options, by sector and size (%)						
	All	Private sector	Public sector	Voluntary sector	SMEs	Large
Part-time working	74	70	86	84	62	83
Flexi-time (ability to choose the start and finish time of the working day within core hours)	41	33	65	56	35	46
Career break, sabbatical	38	32	61	39	14	55
Job-share	36	25	69	49	15	50
Study leave	35	29	54	43	20	46
Phased retirement	30	23	57	31	14	41
Term-time working	25	16	61	19	16	32
Compressed working week (for example nine-day fortnight)	23	16	47	31	9	33
Short-hours contracts (where there is a promise of a minimum number of hours per week)	18	16	22	23	12	22
Flex-up contracts (where the hours offered to an individual can be increased within a specified margin)	15	16	12	12	6	21
Annualised contracts (contracted for a set number of hours within a year, rather than a week or a day)	15	11	30	17	5	22
Commission outcomes (no fixed hours, only an output target)	5	6	4	1	5	5
Other	3	3	3	9	4	2
None – no flexible working options are offered	10	12	4	6	18	5

Looking at workplace flexibility, all organisations are offering options to work somewhere other than the core company's office at least to some employees. The most popular form was home and mobile/remote working, available in 73% and 70% of organisations respectively, and in more large organisations than in SMEs. About half of organisations provide flexibility of moving across working sites/hubs and client sites, and only a quarter are using co-working offices.

Only 60% of companies have formal policies on flexible workplace practices, including 70% of large companies and 44% of SMEs. Organisations are most likely to have a policy on homeworking (47% have one) and mobile/remote working (35%).

Despite the growing recognition of the business case for a flexible workplace, operational pressures are perceived as the key barrier to offering more flexibility to when and where people work. This is followed by the perceived lack of capacity to implement flexible working – either through managing the workforce numbers, or providing the technological support for flexible workplaces. Overall, only up to 10% of HR leaders said each of the workplace flexibility options was available to all staff, including the homeworking option.

The data shows that there is still some way to go before practitioners embrace the business benefits of flexibility, proactively planning the resourcing in time and place in such a way that supports operational needs rather than undermines those. It seems that the business case for workplace flexibility is clearer to HR leaders, as only 12% mentioned cost to be a concern.

However, the remaining barrier in working towards greater flexibility in support of business needs is the lack of trust in organisations. Negative line manager and senior manager attitudes, as well as concerns over the quality of work produced by staff working remotely, hints at the trust issues that may be preventing employees from being given control over when and where they work.

In one of the case studies, Deloitte have introduced a WorkAgility programme that provides individuals with a range of options around where and when they work, but most importantly aims to refocus the teams on the outcome of work, rather than on the input in terms of working hours. Deloitte is moving away from a culture where people feel they must seek permission for adjusting the way they work. By building the business case for agile working, and working

Table 11: Workplace flexibility options (% of organisations offering)						
	All	Private sector	Public sector	Voluntary sector	SMEs	Large
Homeworking	73	71	75	78	63	79
Mobile/remote working	70	69	72	74	60	76
Multi-site working/hubs	51	50	55	56	24	69
Working at customer/client sites	50	52	42	48	41	56
Working in the car	27	30	19	20	24	32
Work-hub desks/co-working (renting desks from external providers, sometimes in offices also occupied by other organisations)	25	23	32	26	11	34

Table 12: Barriers to offering flexible working (%)						
	All	Private sector	Public sector	Voluntary sector	SMEs	Large
Operational pressures	58	55	67	63	53	62
Lack of operational capacity to manage fluctuations in workforce numbers	36	37	31	43	29	41
Fairness of policies across different categories of staff	26	27	21	27	27	25
Negative line manager attitudes	17	15	22	18	6	24
Lack of interest among staff	15	17	10	10	15	15
Negative senior manager attitudes	14	13	19	11	9	17
None	14	15	14	11	22	9

Table 13: Barriers to workplace flexibility (%)	All	Private sector	Public sector	Voluntary sector	SMEs	Large
Operational pressures	49	47	52	53	43	53
Technological constraints	28	26	20	38	22	32
Consistency in quality of work	26	30	8	16	24	27
Negative managers' attitudes, for example fear of presenteeism	19	16	15	29	8	26
Fairness of policies across different categories of staff	18	17	17	22	14	21
None	13	13	20	10	20	8

Table 14: Provision of training and development opportunities, by sector and size (%)	All	Private sector	Public sector	Voluntary sector	SMEs	Large
Multi-skilling	51	54	44	39	47	54
Secondment	30	27	46	22	7	47
Job rotation	22	22	24	15	19	24
Rapid retraining	18	20	12	12	17	18

with managers to enable trusting relationships with their teams, the organisation is helping people to take ownership of how they plan their working day, while taking into consideration the needs of the team and the client (see Appendix 2 for the full case study).

Skills
Another aspect of supporting workforce agility is ensuring that the right skills are available at the right time. Multiskilling and rapid retraining strategies can be used

both in case of temporary need for a particular skill or as a permanent redeployment of staff if jobs become obsolete.

Just over half of HR leaders said their organisation is using multi-skilling, but only 18% have the capacity for rapid retraining. Private sector companies are more likely to provide this kind of training, although the public sector is leading on secondment and job rotation opportunities.

Looking at the employee opinions, however, only 28% believe that the training provided by their organisation is relevant beyond their immediate duties, with 27% worried whether their skills will be relevant in the future. Although the public sector is more likely than private sector organisations to give employees skills that are additional to their core role, staff are also most worried that those competencies are future-proof.

Table 15: Employees' experiences of training and development in their organisation, by age and sector (%)	All	18–24	25–34	35–44	45–54	55+	Private sector	Public sector	Voluntary sector
I can rarely find time for training and development.	39	19	39	43	41	22	36	36	19
The training I access through my organisation is relevant beyond my immediate duties.	28	38	33	28	22	27	24	35	41
I'm worried whether my skills will be relevant in the future.	27	27	29	32	29	18	25	30	20

'There is strong evidence that organisations see value in proactive workforce planning as a way of improving the match between the availability and the current and future demand for resources.'

An additional concern is the lack of training – with 39% of employees (but only 23% of atypical workers) saying they can rarely find time for training and development. This is mirrored in the HR leaders' survey, where 56% named operational pressures as the top barrier to training and development of staff. The second most frequently mentioned barrier is cost, named by over half of HR leaders, followed by lack of interest among staff, quoted by a quarter of respondents.

A case study at the Guy's and St Thomas' NHS Foundation Trust shows how the organisation approached employee learning needs in a strategic manner, looking at which skills will be required in the short and long term, taking into consideration the changing nature of work, the shifting patient needs, and the shifting workforce expectations. They have developed a learning agreement with the trade unions to ensure that learning options are effective and inclusive, and have engaged both employee representatives and line managers to support the skills that people and the organisation need (see Appendix 2 for the full case study).

Summary
There is strong evidence that organisations see value in workforce agility as a way of improving the match between the availability and the current and future demand for resources. However, concerns over the short-term costs of these practices and the potential risks of the implementation act as the key barriers to wider use of these practices. The focus on the 'now' appears at times to be preventing an investment in the supporting mechanisms (for example, training and performance management of 'atypical' workers, and reskilling opportunities for employees) that could alleviate some of the concerns.

Another key barrier, associated in particular with the flexibility of where and when people work, is the negative attitudes of senior and line managers, which are indicative of a broader lack of trust in organisations. A signal of a more traditional, hour-based way of measuring employee contribution is the low prevalence of output-based working, offered by only 5% of organisations, and annualised contracts – by 15% of organisations – which is in contrast to the ethos of greater employee ownership of their working pattern associated with flexible working.

Table 16: Barriers to developing staff (%)						
	All	Private sector	Public sector	Voluntary sector	SMEs	Large
Operational pressures	56	55	60	50	46	62
Cost of training	52	52	53	53	50	53
Lack of interest among staff	25	26	21	23	23	27
Lack of capacity in the HR/L&D department to manage development	13	11	22	9	8	17
Lack of clarity on what is cost-effective for the business	13	13	12	16	13	13
None – there are no barriers	15	15	12	18	18	12

3 Agile environments and cultures

Among the tactics that HR leaders are using to improve responsiveness to change, focus on the organisational environment and culture is the second most popular group of approaches after workforce planning and training and development. This includes, most frequently, improvement of leadership and management capability, organisation design/restructuring and cultural transformation.

Organisational culture and responsiveness to change
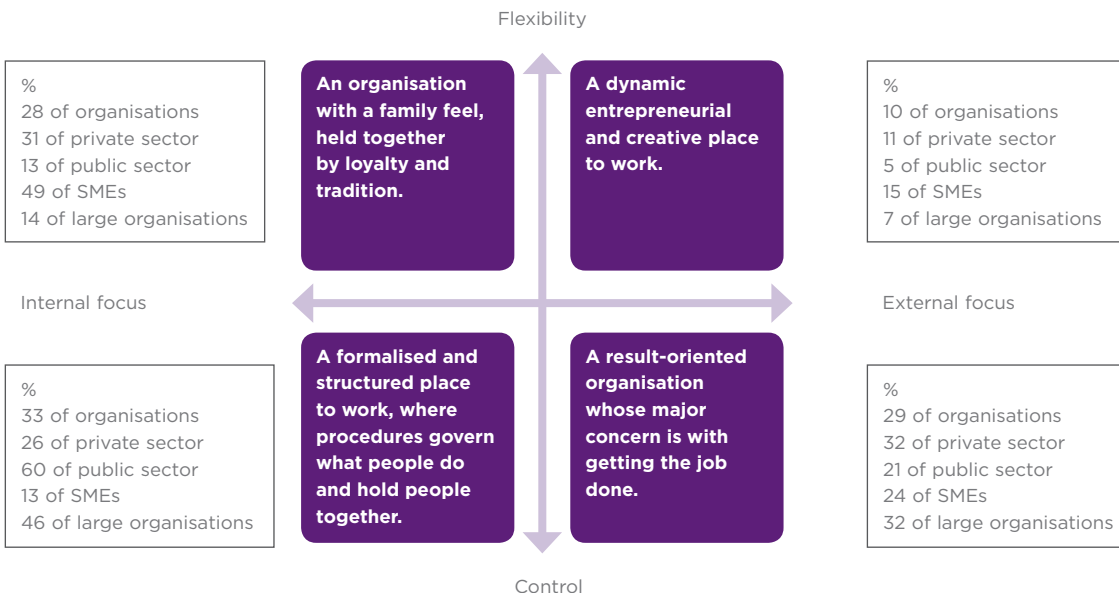The CIPD survey asked HR leaders to self-identify with one of the four types of cultures, derived from the competing values framework (Quinn and Rohrbaugh 1983). The framework defines four types of cultures, depending on the prevailing orientation of the organisation across two dimensions: (1) flexibility versus control, and (2) internal versus external focus. The distribution of the types of culture by sector and size is shown in Figure 6.

A combination of flexibility and external (customer) focus is the rarest in UK organisations, although slightly more prevalent in SMEs. Organisations that are looking to change their existing culture are most likely to be aiming at this type, characterised by dynamism and entrepreneurship.

The opposite type – a culture with an internal focus and a great degree of control, on the other hand – is most prevalent; it exists in a third of all organisations, and 60% of public sector organisations. Large organisations are also most likely to be characterised by a formal, controlling environment, with 46% of HR leaders in large companies identifying with this type of culture.

Figure 6: Types of culture

	Flexibility	
% 28 of organisations 31 of private sector 13 of public sector 49 of SMEs 14 of large organisations	**An organisation with a family feel, held together by loyalty and tradition.**	**A dynamic entrepreneurial and creative place to work.**	% 10 of organisations 11 of private sector 5 of public sector 15 of SMEs 7 of large organisations

Internal focus   External focus

| %
33 of organisations
26 of private sector
60 of public sector
13 of SMEs
46 of large organisations | **A formalised and structured place to work, where procedures govern what people do and hold people together.** | **A result-oriented organisation whose major concern is with getting the job done.** | %
29 of organisations
32 of private sector
21 of public sector
24 of SMEs
32 of large organisations |

Control

'HR leaders in SMEs were more likely to agree that their organisation is more effective in responding to change than their competitors.'

When asked about the speed and effectiveness of the response to change, HR leaders in organisations characterised by a culture based on flexibility and external focus were more likely to say their organisation responds to changes both more quickly and more effectively, particularly in large organisations. Cultures characterised by flexibility and internal focus, or the ones with external focus and control, were also supportive of a quicker (but not more effective) response in large organisations. On the other hand, SMEs appeared to be more agile primarily in flexible cultures, both with external and internal focus.

Overall, HR leaders in SMEs were more likely to agree that their organisation is more effective in responding to change (32% of SME HR leaders compared with 21% of HR leaders in large organisations), even though large and small companies were similar in their opinions of how quickly their organisation responds to change. Public sector organisations were the least optimistic about the capacity of their company to respond to change, with 21% of HR leaders in the public sector suggesting their organisation lags behind, compared with 13% of private sector HR leaders.

Table 17: Speed and effectiveness of response to change (% of organisations with each type of culture agreeing)				
	When facing change, our organisation responds more quickly than our competitors		When facing change, our organisation responds more effectively than our competitors	
	SMEs	Large organisations	SMEs	Large organisations
An organisation with a family feel, held together by loyalty and tradition. Leaders are viewed as mentors or parents.	21	30	35	15
A formalised and structured place to work, where procedures govern what people do and hold people together.	18	11	29	22
A dynamic, entrepreneurial, and creative place to work. People stick their necks out and take risks.	37	32	40	44
A result-oriented organisation whose major concern is with getting the job done. People are competitive and goal-oriented.	18	28	26	18

Table 18: Speed and effectiveness of response when facing change (%)						
	All	Private sector	Public sector	Voluntary sector	SMEs	Large
When facing change, our organisation responds more quickly than our competitors.	21	24	11	25	23	20
When facing change, our organisation responds more effectively than our competitors.	26	27	18	35	32	21
When facing change, our organisation's response is on par with our competitors.	37	37	39	32	34	39
When facing change, our organisation is behind our competitors.	15	13	21	9	12	17

Job and organisation design

Previous CIPD research (2014c) finds that even where employees, managers and leaders have received training to develop their capability, their ability to apply those skills is affected by the organisational environment. Where organisational structures and processes are not aligned to the 'ask' of training and leadership interventions, individuals are likely to follow the existing organisational 'rules' instead of adopting new behaviours. Research has shown how organisational systems, built up over the years, can prevent experimentation and innovation, when, for example, employee incentives are geared towards motivating them to meet existing goals rather than create new products (Henderson and Kaplan 2005).

Looking at the practices in job and organisation design, it is clear that only some organisations are using organisational environment as a tool in supporting agile working. For example, only 5% of organisations practise output-based rather than hours-based working, and equally 5% build in 'slack' to allow for experimentation and rapid response. At the same time, 30% of respondents in the employee survey said that they are so stretched in their roles they would have to drop some of the existing duties or work extra hours to develop new ideas and respond to immediate needs, although 46% disagreed. Other practices such as staff involvement and participation and 360 feedback have settled in more, although in just over a third of organisations.

On balance, the public sector appears to be implementing agile working practices more widely, even if only the tried and tested ones. SMEs are doing less in terms of formal processes and structures, but are slightly more likely to give more autonomy to employees in how jobs are designed.

Table 19: Prevalence of agile practices in job and organisation design (% of organisations using)						
	All	Private sector	Public sector	Voluntary sector	SMEs	Large
Organisational structures						
Using technology to share knowledge and collaborate inside the organisation	34	34	37	21	31	35
Cross-functional working teams	32	31	36	25	22	38
Self-managed or self-directed teams	19	18	21	24	23	15
Non-hierarchical structures (for example 'lattice' structures)	11	11	8	16	13	9
Workplace design to support collaboration (for example employees from different departments/roles sit together)	18	17	17	23	14	20
Open use of technology to invite participation and knowledge-sharing from outside of the organisation	12	12	11	11	8	14
Job design						
Development of leadership and management capability that fosters staff involvement and participation	37	32	52	42	27	44
Employees select their own tasks within a defined project	9	10	6	12	14	6
Job roles have time ('slack') built in for experimentation and rapid response	5	6	3	9	9	3
Commission outcomes (no fixed hours, only an output target)	5	6	4	1	5	5
Work processes						
Quality circles/total quality management	13	14	9	9	9	15
Reduced documentation reliance	11	11	10	18	12	11
Iterative work processes (for example sprints, feedback loops)	8	9	6	1	5	9
The 'Business Excellence Model' or equivalent	8	8	9	5	3	11
Performance and reward						
360-degree feedback	34	33	40	33	14	48
Assigning tasks and assessing progress by competency, not role	19	19	19	17	24	16
Values-based rewards	16	19	9	11	8	21
Share options for all employees	11	15	2	4	4	16

'The top barrier to implementing new practices is the operational pressure that absorbs time necessary to develop and trial different ways of working.'

HR leaders confirm that some aspects of organisational environment and culture clash with the core principles of 'agile', for example, opportunistic approach to change and continuous improvement. Budgets and the decision-making processes are not always set up to allow for quick response and experimentation; similarly, lack of trust and inability to take risks have a part to play. These barriers are more likely to be present in public sector and large organisations, where cultures are characterised by a greater degree of control and an internal focus.

Summary

Although an agile organisational environment and culture are deemed to be one of the most important traits of an agile organisation by business executives (Economist Intelligence Unit 2009), our survey suggests that only some organisations are planning to address these areas as part of their plan to improve organisational responsiveness to change. For example, only 5% of organisations build in 'slack' to allow for experimentation and rapid response. Interestingly, public sector organisations appear to be more likely to implement tried and tested solutions around organisation and job design. Once again, the top barrier to implementing new practices is the operational pressure that absorbs time necessary to develop and trial different ways of working, and magnifies the disruption associated with organisational change.

Lack of flexibility and norm of control are prevalent in the majority of organisations, and in particular in the public sector, according to the HR leaders' responses. On the other hand, companies characterised by a culture of flexibility and external focus were more likely to respond to changes more quickly and more effectively.

A case study in Matt Black Systems demonstrates how the business recognised the potential for the organisational environment to shape employee motivation, behaviours and productivity. The owners saw the solution in allowing individuals to exercise control over how they work – within the parameters that ensure sustainability of the business (including compliance with the regulatory and health and safety standards). However, rather than setting up arbitrary boundaries, the organisational design has been developed as a holistic system that replicates the complexity of the external environment, but allows the individual employee to act on that complexity rather than constraining them to a certain way of working (see Appendix 2 for the full case study).

Table 20: Top barriers to smart organisation and job design (%)						
	All	**Private sector**	**Public sector**	**Voluntary sector**	**SMEs**	**Large**
Budgets	37	35	41	36	31	40
Fear of failure/blame culture	20	19	28	11	12	26
The levels of employee engagement and commitment	20	19	23	17	17	21
Procedural and decision-making efficiency	16	15	18	16	9	20
Ability to embrace uncertainty and change	16	13	26	13	14	18
Technological capacity	16	13	22	24	12	18
Clarity of direction	13	13	14	14	10	15

4 Agile HR

Many industries are acknowledging the imperative for their organisations to be more adaptive to the changing needs of today and to prepare for the demands of the future, and curiously the public sector in particular has recognised a need to improve its ability to navigate and balance the demands of its multiple stakeholders. The innovation and the shift in the ways of working will require an evolution in how the workforce is organised, how flexible individuals are in relation to when and where they work and what they do, as well as in how prepared organisational environments and cultures are to embrace the continuous change. There is a role in this for people management practitioners to foresee and drive these shifts, rather than reactively manage the consequences of business decisions for people and work processes.

At the same time, the barriers to more agile working, named by the HR leaders in the study, indicate that many organisations are yet to begin approaching the issue in a strategic manner. In part, these barriers arise from the traditional ways in which companies have been structured and run to ensure conformity and control over operations. However, there is also something about the ways in which HR processes are designed and implemented to manage risk in a high-control environment – signalling both a concern over their fitness for the future, but also an opportunity for the HR function to champion new ways of working.

In particular, three trends emerge from the review of the prevalence of agile working in the UK. They are:

1 **Focus on risk management in the 'now'** – Operational pressures are the top concern of HR leaders around trying out or implementing new forms of work and workforce organisation, preparing people and structures for the future. However, cost management and risk-aversion priorities that support the bottom line today can hamper experimentation with working practices that help improve responsiveness to change and productivity.

2 **Low-trust environment** – Related to risk management is the organisational culture characterised by scepticism to innovation in people management and forms of organisation. Apprehension towards different approaches is likely to inhibit experimentation with practices on a smaller scale, and make all-organisation rollout even more risky, particularly if there is past experience of failed interventions.

3 **Lack of a systemic approach in improving organisational responsiveness to change** – Looking at the tactics preferred by HR leaders in improving organisational agility, there is a welcome wealth of activity aimed at individuals within the organisation – developing leadership and management capability, training and

development of individual employees. At the same time, there is still some way to go in developing organisational environments in which individuals can thrive – designing jobs and structures that support flexible working, flexible skill application, and better leadership and ownership of task at all organisational levels.

Building agile HR

In order to understand how the HR function can support agility in organisations, we asked a group of practitioners and consultants to help us interpret survey findings and put those in the context of a likely experience of an HR practitioner in an organisation. Although some of the current research focuses predominantly on specific HR practices for agile working (Accenture 2013), the group argued that different solutions would work in different organisational contexts. Instead, HR professionals should consider how they are supporting agile working in organisations. The experts identified two specific areas where HR can make a difference to supporting agility:

1 **leading the strategic agility agenda** – foreseeing and addressing emergent business needs

2 **using and championing 'agile' methodology** – utilising experimentation and incremental change to adapt and build people management solutions geared to support current and future business needs.

The experts recommended several specific principles for the HR function supporting business agility (see Figure 7). Notably, some of these match the findings of CIPD (2014b) recent insight on designing and embedding transformational change.
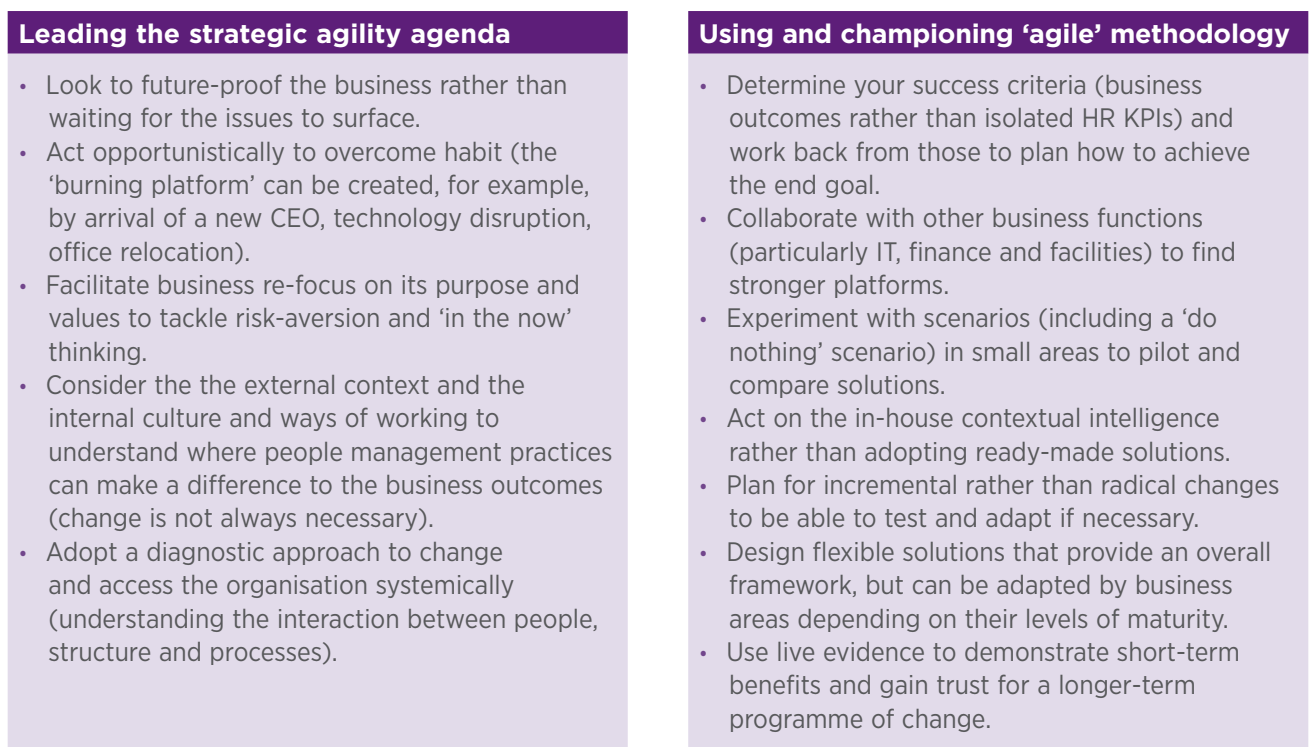
Summary
Looking at where HR is helping build agile organisations, but also at how it is using agile ways of working within the function to support the business, we identified a 'continuum of maturity' in approaching agile ways of working. At one end is the traditional reactive HR approach that relies on isolated tactics and all-organisation interventions to improve some of the employee and business outcomes. At the other end is the fully agile HR practice that exists in an organisational environment that is characterised by an externally focused and flexible operating model, supported by collaborative and fluid people management approaches. The middle of the continuum recognises that the HR function exists within a broader organisational context and, in leading the agile agenda, it will take time to 'convince' the business to work in a more agile way.
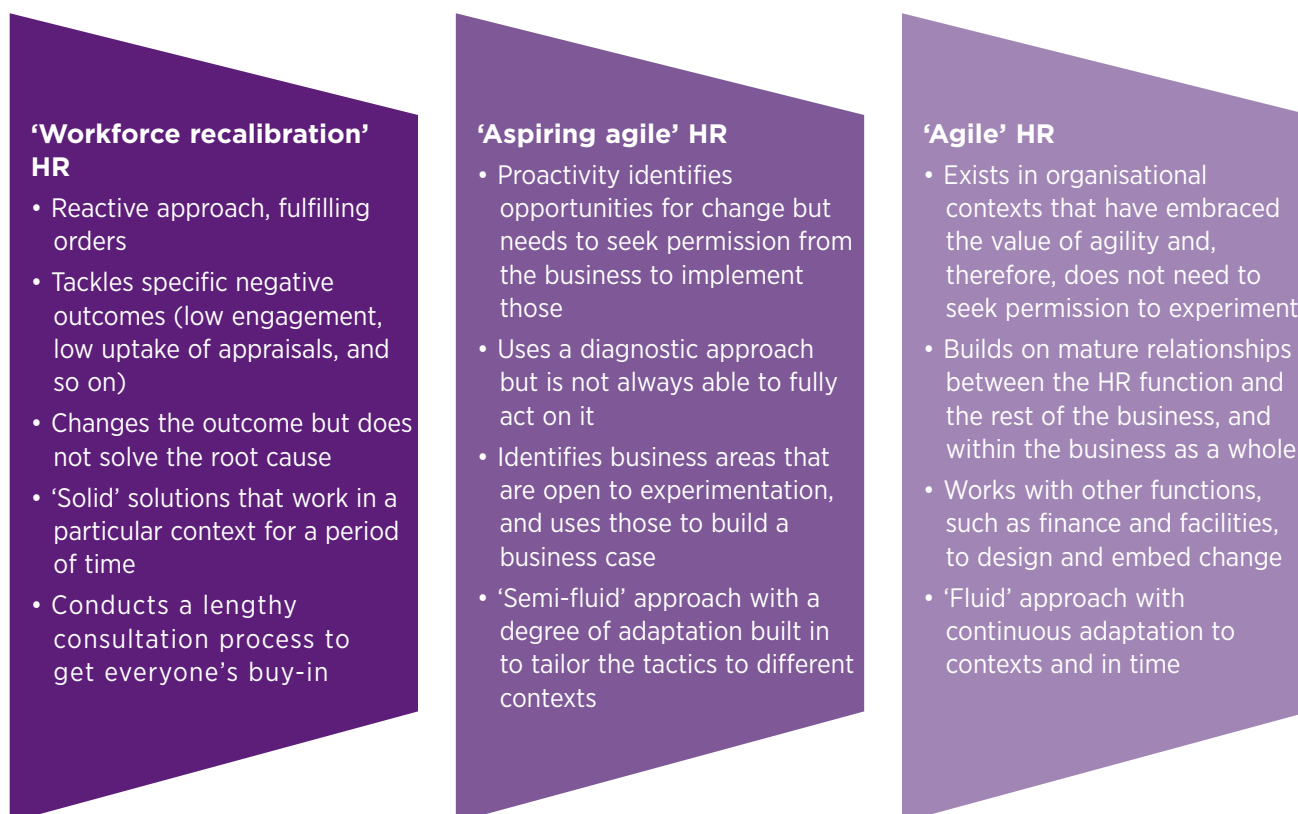
Figure 7: Principles for supporting organisational responsiveness to change

Leading the strategic agility agenda
• Look to future-proof the business rather than waiting for the issues to surface.
• Act opportunistically to overcome habit (the 'burning platform' can be created, for example, by arrival of a new CEO, technology disruption, office relocation).
• Facilitate business re-focus on its purpose and values to tackle risk-aversion and 'in the now' thinking.
• Consider the the external context and the internal culture and ways of working to understand where people management practices can make a difference to the business outcomes (change is not always necessary).
• Adopt a diagnostic approach to change and access the organisation systemically (understanding the interaction between people, structure and processes).

Using and championing 'agile' methodology
• Determine your success criteria (business outcomes rather than isolated HR KPIs) and work back from those to plan how to achieve the end goal.
• Collaborate with other business functions (particularly IT, finance and facilities) to find stronger platforms.
• Experiment with scenarios (including a 'do nothing' scenario) in small areas to pilot and compare solutions.
• Act on the in-house contextual intelligence rather than adopting ready-made solutions.
• Plan for incremental rather than radical changes to be able to test and adapt if necessary.
• Design flexible solutions that provide an overall framework, but can be adapted by business areas depending on their levels of maturity.
• Use live evidence to demonstrate short-term benefits and gain trust for a longer-term programme of change.

A lot of HR functions will be in or moving towards the 'aspiring agile' HR scenario, not least because in order to be fully agile, the organisation on the whole would have to embrace the culture of experimentation and a systemic approach to adaptation and change. However, the latter can in part be championed by the HR function that has an opportunity to build a business case for smart and agile ways of working by testing innovative approaches to people management in specific areas of the business, collaborating with other departments to collect both 'hard' and 'soft' ROI data, and using diagnostic intelligence to model the impact of change on the organisational outcomes. Such an approach can help counteract the traditional barriers of risk-aversion and lack of trust in the organisation, not only spurring a positive cultural shift but also raising the profile and credibility of the HR function on the whole.

Figure 8: Continuum of maturity for HR agility

'Workforce recalibration' HR

- Reactive approach, fulfilling orders
- Tackles specific negative outcomes (low engagement, low uptake of appraisals, and so on)
- Changes the outcome but does not solve the root cause
- 'Solid' solutions that work in a particular context for a period of time
- Conducts a lengthy consultation process to get everyone's buy-in

'Aspiring agile' HR

- Proactivity identifies opportunities for change but needs to seek permission from the business to implement those
- Uses a diagnostic approach but is not always able to fully act on it
- Identifies business areas that are open to experimentation, and uses those to build a business case
- 'Semi-fluid' approach with a degree of adaptation built in to tailor the tactics to different contexts

'Agile' HR

- Exists in organisational contexts that have embraced the value of agility and, therefore, does not need to seek permission to experiment
- Builds on mature relationships between the HR function and the rest of the business, and within the business as a whole
- Works with other functions, such as finance and facilities, to design and embed change
- 'Fluid' approach with continuous adaptation to contexts and in time

Appendix 1: HR survey respondents' profile

633 individuals with HR responsibility took part in the survey (weighted sample representative of the UK industry).

YouGov surveys have been conducted among members of the online YouGov Plc GB panel of 280,000+ individuals who have agreed to take part in surveys. An email was sent to panellists selected at random from the base sample according to the sample definition, inviting them to take part in the survey and providing a link to the survey. The profile is normally derived from census data or, if not available from the census, from industry-accepted data.

Fieldwork was undertaken in September 2014.

Thirty-one per cent of respondents had overall responsibility for HR/personnel in the organisation, and 69% had HR responsibility as part of their job. Fourteen per cent of the respondents had HR responsibility in the UK and beyond, and the rest in the UK only.

Figure 9: Distribution of responses, by sector (%)

- Private
- Public
- Voluntary
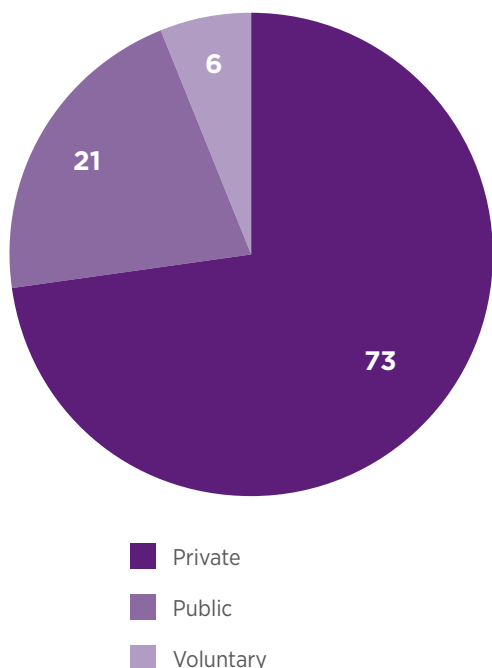
Figure 10: Level of responsibility in a respondent's role (%)

- Director
- Senior executive/group role
- Head of functional area
- HR business partner
- Manager
- Senior officer
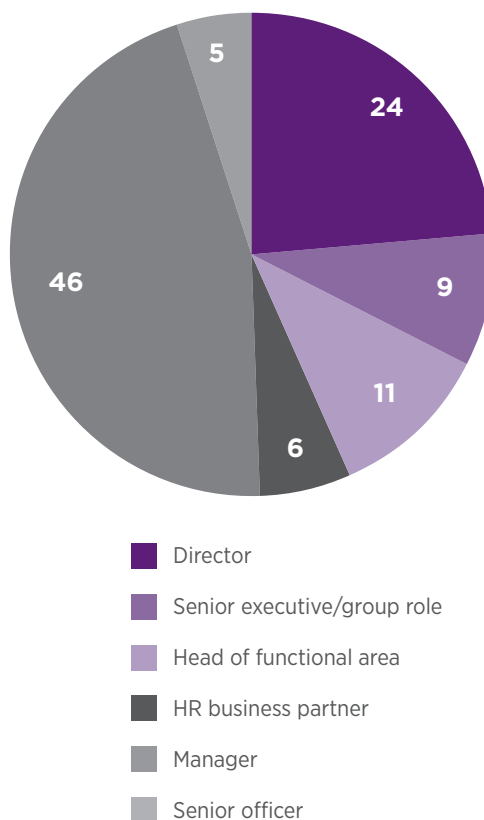
Appendix 2: Case studies

Deloitte: A new agile approach to working

In June 2014 the business advisory firm Deloitte launched a new programme aimed at increasing the agility around how its people organise their working lives. The WorkAgility programme includes a range of options around when and where its people work, and includes 'Time Out' – the right to request a block of four weeks' unsalaried leave each year, without reason or justification.

The imperative for a new way of working

Deloitte recognised the need to create a culture where output matters more than 'presenteeism', and where its people feel trusted to work in a way that suits both them and the business.

One Deloitte employee says: *'Agile working is about measuring our contribution by output rather than the number of hours that we're in the office. Rather than measurement based on physically being present, it focuses on what gets done, whenever it gets done.'*

The second driver was the imperative to attract talented individuals, who may have different expectations of how career and home life fit together.

Emma Codd, Managing Partner for Talent, explains why she brought agility into focus:

'As with many organisations, there has historically been a tendency to judge people on whether they were physically sitting at their desk or could be seen, rather than on their output. With my own team, however, I had long judged on output, with those members working in a more agile way producing excellent work.

'For me it was a no-brainer: why wouldn't you enable people to work in a way that gives them some career–life balance while also judging them on what they produce?

'The big challenge was to ensure that no stigma is attached to it, so we made it very clear from the start that this is not something that is taken by people that aren't serious about their career. We've got people who work incredibly hard; we value them and recognise that they need some time back.'

The principles of the new way of working

Head of Client Service HR, Caroline Hunt, emphasises that agile working does not simply boil down to a prescribed variety of flexible working time arrangements, such as working from home once a week:

'It requires a shift in mindset from the traditional 9–5 with an hour for lunch, which is rarely a reality, to much more nimble thinking that recognises nothing is static. It's about give and take, starting with the principle of mutual trust and that people are accountable for their role in delivering the best service to their clients. It's about finding a fair and flexible balance of what works for the firm and the team, as well as the individual meaning.'

Agile working in Deloitte is based on three principles:

1 **Outcomes, not inputs, matter:** the focus had to be shifted from the visibility of an individual in the office to the actual outputs of their work.

2 **Mutual trust:** an underlying assumption that the majority of employees are motivated, ambitious and there to do a good job.

3 **Two-way open communication:** between the manager, other team members and the individual.

By focusing on the outcome rather than input in terms of working hours, Deloitte is moving away from a culture where people feel they must seek permission for adjusting the way they work. It intends for people to take ownership of how they plan their working day, while taking into consideration the needs of the team and the client. The process of change is evolutionary, led by the senior team and role-modelled by business areas that are already adopting agile working practices.

HR Partner Stevan Rolls explains:

'Some parts of the organisation have always operated like this. However, in a big organisation like Deloitte, there will be pockets that are more resistant to change. The objective here is to focus on some practical but impactful actions, creating a wave of cultural change, which washes over everybody and becomes accepted as part of the way we do things here. It becomes part of the collective story that people tell and isn't questioned so much.

'In most cases, it's about trusting managers to make the right decision and I think it's about being clear and direct with people when they're not on the agenda. Whenever we've tried to action change in a standard HR-best-practice, programmatic, prescriptive way, it's never really worked. Instead we're now focusing more on giving people principles to work from.'

Building the business case

The first task for the team behind the initiative was to develop the business case for the new ways of working. This had to go beyond the traditional considerations around Generation Y's expectations as, according to Caroline Hunt, that argument *'as a call to action is quite weak – it's not sufficiently tangible and it lacks the immediate bottom-line financial impact that would be meaningful to business leaders.'*

Instead, Deloitte focused on calculating the cost of replacement, not just in terms of recruitment fees and induction, but also lost productivity, expressed in lower client fees generated by newcomers who don't yet operate at their 100% capacity. This really resonated with the business. Separately, Deloitte computed the cost of real estate, covering 22 offices across the UK, which weren't being used in a cost-effective way.

Alongside this, the HR team worked on projections for the uptake of formal flexible working as well as the use of the Time Out four-week-long block of unsalaried leave, to understand the impact on teams' abilities to meet financial targets and support operational planning. The analysis found that the firm could cope with the projected interest without having to mandate the uptake.

An important part of designing the agile working programme was engaging with employees around the business through an internal social media platform, Yammer. Over a period of time Deloitte ran a series of 'YamJams' with the purpose of getting employee feedback on the options for agile working, and refining those collaboratively. This was followed by town halls with the CEO and senior business leaders, where active 'YamJam' participants along with other representatives at all levels and in all parts of the business were invited specifically to build on the existing levels of engagement with the programme.

Emma Codd says:

'Ahead of the Christmas break, one of the leaders of a large part of the practice explicitly said to his people: "Have a great time – and can I ask any of you that are coming in in between Christmas and New Year just to think, do you need to come in? Could you stay at home with your laptop? Do you really need to get a

train into the office? Fine, if you want to, but I just want to tell you that I'm very happy if you don't." That was from a leader of a very successful business and someone who's very successful himself, so it made everybody think differently about it.'

Adapting the work environment to the new way of working

Importantly the agile working programme had to consider dependencies on other departments, in order to ensure that the working conditions were conducive to adopting the new approach. This included considerations for talent planning, physical workplace and technology. Caroline Hunt says:

'Very quickly we realised that they're all enablers of each other. IT needs to enable agility, and our real estate, workplace strategy won't happen if it doesn't happen through talent. If the workplace and IT don't work, the talent piece won't work either. It's not just about working from home. It could be working from another office that's nearer to home so you have less of a commute, you get a bit of time back and you can be more productive. So our workplace strategy needs to make sure that there are some hot desks available, that the people on reception are ready to greet you and say hello, and know what to do with you, and that other people when you arrive in that office understand that you are a Deloitte employee and you are visiting from another office. So it's been all about HR, IT, and Property & Corporate Services working together towards a shared vision and demonstrable business results.'

In addition, reviews of the performance management process are being conducted to ensure that employees do not receive mixed messages about the key principles of agile working: mutual trust and respect, open communication, and the focus on outcomes have to resonate in the ways individuals are recruited, appraised and treated in an organisation.

Implementing the new way of working

The principle-based approach to agility also meant that the HR and OD functions could not always prescribe the way in which the agile practices would be adopted through a formal policy. This meant working with managers to change their attitudes to agile working and their behaviours with regard to agreeing new working arrangements with their teams. Stevan Rolls describes the new arrangement as a blend of day-to-day informal actions with formal options for flexible working:

'Individuals and the firm should be able to have a reasonable level of flexibility above and beyond what's in the contract. The trick is not to legislate for every eventuality but to enable productive conversations around needs and what's working, what's not working, what's reasonable and what's unreasonable.'

Caroline Hunt adds that HR business partners acted as champions of the new way of working in the organisation, being the ones in touch with the front line. Rather than implementing an agile approach to working in a top–down manner, they prepared themselves for the most common challenges they were likely to face from others in the organisation. The answers to these questions and concerns, says Caroline, *'were not formulated in a policy way. Deliberately, we thought it through from the perspective of line managers and in the language you would naturally speak to somebody, backed up by the business cases.'*

The most common challenge from line managers was their perceived inability to know what a team member was doing when they were working outside of the office. This was countered with the principle of focusing on the output and mutual trust. Another question around collaboration between team members working at different locations was met with the emphasis on individual ownership of the nature of work and the best allocation of time for working on their own and with the team.

One of the HR business partners explains that a principle-based approach and a focus on cultural change, rather than on the formal aspects of the HR intervention, helped to embed the programme:

Deloitte (continued)

'We haven't formalised everything as such, but better communicated what is available, because what we realised is that it was happening in pockets, and some leadership areas were more supportive than others. We realised that in order to be open, fair, and transparent across the whole firm, we just needed to shout about what we were doing. We then highlighted the business case for supporting it, as opposed to it coming across as an HR initiative.

'The firm-wide announcement and communication, and the press activity around it made people think, 'Oh, it's something we can actually take up" even if they hadn't previously recognised the business case for it.'

Changing the ways of working in the HR function

Stevan Rolls adds, on the importance of the HR function working in an agile way to meet the changing needs of the business and people:

'People are now looking for an experience which isn't governed by a very hard and fast set of rules. I think that's a shift in mind-set, from an HR point of view, in terms of how you work. It's being a little bit more open to thinking about and finding ways of making things work. That particularly relates to how well you implement agility, because it's very difficult to drive agility through a rigid set of processes and systems.'

About Deloitte

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Guy's and St Thomas' NHS Foundation Trust: New ways of working, learning and organising

Background

Guy's and St Thomas' NHS Foundation Trust includes two teaching hospitals, providing patients with treatment and care from two central London sites.

It provides a full range of hospital services for the local communities and has integrated community services in Lambeth and Southwark into the Trust. It also provides specialist services for patients from further afield, including cancer, cardiac, kidney, women's and orthopaedic services, and is home to Evelina London Children's Hospital.

The vision of the trust is to become the place of choice for all students and staff to be educated, trained and developed throughout their career so that we can guarantee that our patients will always receive the best possible care from the right person, with the right skills, at the right time delivered in accordance with the values of the trust. In support of that vision the trust has put in place learning and workforce planning strategies that ensure trust services are relevant to the customer and are fit for the future demand for availability and quality of services.

Career pathway

The trust's education strategy aims for the organisation to have competent and values-driven staff, while opening employment opportunities for local residents. In order to retain talent and to prepare for the changing demand for skills in the future, the trust is developing a framework that will span clinical and administrative roles, clearly explaining which competencies are required for different types of jobs and at different levels.

Amanda Price, Head of Education Programmes, says:

'We have an aim that we attract really great people and we want people to grow their careers here. We are a very large organisation, we have 13,500 staff so there is an opportunity for people to progress their careers in the organisation.

'We have a vision that people can come in at entry level and they can work their way up to senior management level. Even between clinical and administrative staff: people can come in a support role and they have the potential to be seconded into full-time nurse training, for example. Then come back to work for us as a qualified nurse and work their way up.'

Such an ambition requires a clear understanding of the professional and transferrable skills, but also targeted talent planning and development for different groups of staff.

As part of that the trust has developed a learning agreement with the staff side (trade unions) to ensure that the learning needs of individuals in entry support jobs are identified and addressed. Traditionally, learning and development has been organised through advertising courses that staff could register with. However, the courses on offer failed to meet the employees' needs at times. In addition, staff felt unable to voice some of their learning needs, such as English and maths competency.

Under the new agreement, learning representatives have been appointed through the partnership with the trade unions. The role of these representatives is to engage with staff to find out about their learning needs and to facilitate the communication between the L&D function and staff.

Amanda Price explains that the trust aims to meet most learning needs, even where they do not have an obvious association with the specific role within the organisation. For example, some employees may take a public speaking course to boost their confidence. Other managers striving to take senior posts in

other organisations in the future are likely to require transferable skills that the trust will benefit from in the meantime. Learning needs are normally discussed in one-to-ones with supervisors, where the mutual benefits of learning to the individual and the organisation are assessed. Amanda Price adds:

'We would still want any investment in career development to be aligned with what the organisation needs. Say if I decided I wanted to be a pilot and have a complete career change, I wouldn't expect the organisation to pay for my training. But if I want to be a director in education then that is something which the trust might be able to make use of and therefore they are more likely to invest in that. Then that is helping both my aspirations and the organisation. We would aim for that win-win scenario each time.'

In addition, the trust is planning to utilise technology to facilitate knowledge-sharing internally and externally. Staynton Brown, Associate Director, Equality and Human Rights, explains:

'We would like people to know a little bit about a lot of things as well as their specialism, and be able to have a conversation with somebody around the corner who they don't ever speak to, but who can help them move their new ideas forward.

'Within the organisation, we're looking at how we utilise app-based solutions. More people have access to a smartphone than they do a computer in many sectors and people are able to upload an idea. The idea bounces around and people may say, "I know somebody who will help you with this," or, "You've got a development need, I know somebody who has done a PhD in that and they're likely to give you 30 minutes of their time." Other people can vote for ideas, so there's transparency.

'To support that we are looking to create a currency, Trust Miles. These are credits that can be given to teams or individuals who help them to move an idea along, or who give them an idea to make their work area more productive and more efficient. One of the reasons of looking at that is to create more horizontal transactions rather than vertical transactions.'

New ways of working to meet the community needs

In addition to growing the skills of staff, the trust is reviewing the ways in which it organises the workforce to ensure availability and quality of care. Recently the Care Quality Commission found that patient outcomes are worse if they are admitted to the hospital over the weekend, compared with a weekday admission. While this is not the case for the GSTT, there is a push from the regulators to extend the services that are currently provided Monday to Friday to the weekend. Similarly, there is an ongoing analysis to understand how the medical facilities, such as non-emergency operating theatres, are used with a view to increasing activity to six or seven days and lengthen the working day and, therefore, reduce waiting times for surgeries.

In order to meet the changing public health needs the trust has started a programme of work that builds on robust public health data, with a view to understanding current and future needs for health services. Currently out-of-hours service is covered via overtime arrangements, which is unsustainable if 24/7 service delivery becomes the norm, as overtime working is expensive and unreliable. However, migrating to the new way of working is impacting terms and conditions of clinical, pharmacy and support staff, which historically have been contracted to work regularly on weekdays only. The trust is also using its internal staff bank to keep up with peaks and troughs in the demands, while maintaining the quality of service, and is considering outsourced staff and partnerships with private service providers, where appropriate.

Another upcoming change is moving the care provision closer to the community. At the moment the Southwark and Lambeth Integrated Care Pilot focuses on integrating health and social care for older people with long-term conditions. While inpatients are treated by a number of clinicians, specialising in

particular aspects of the treatments course, a patient treated in the community will require a nurse, a doctor or a social worker visiting them at home.

In order to improve the patient experience and reduce the number of home visits required, it is expected that in the future fewer visiting professionals will be able to confidently cover various aspects of care. Increasingly this requires upskilling of staff and a shift in mindset around where and when they work.

The graduate nurse rotation programme, for example, takes into account the need for skill diversity and consists of four three-month placements, training already qualified nurses in a number of clinical settings, including community-based care. Simone Hay, Deputy Chief Nurse, explains that one of the aims is for people to *'stop thinking about community nursing here and acute hospital here; trying to get it seamless, because that's what we need to get to in the long term'.*

Matt Black Systems: Crafting the organisational environment

Matt Black Systems is a major independent specialist in the design and manufacture of man–machine interfaces for land, sea and air applications. Since its founding in 1971, the company has developed an extensive range of integrated products across a multitude of industries, including aerospace, defence, and security and simulation for both the military and commercial sectors.

To ensure client-centric delivery of services and empower its staff, Matt Black Systems started operating a networked organisation model in 2004.

Organisational principles

Julian Wilson, one of the current investors, had previously owned the business with a partner. Employing just under 30 staff, the organisation was facing the traditional legacy challenges of a manufacturing SME. Weakening defence manufacturing market, unchallenged operating models and already emerging silos resulted in low productivity and lack of cash flow for the company, which had started to reflect on the bottom line. Some of the immediate challenges to productivity were the low rates of delivery on time (circa 17%) and a strong reliance on paid overtime (taken up by almost all staff).

When Andrew Holm joined the management team, the owners recognised that low productivity trends were at least in part associated with the organisational culture, and therefore opted for a people-centric direction for change, focusing on addressing disengagement and disempowerment in the workforce. In search for a new model of working, Andrew and Julian identified lack of intrinsic motivation and control over the entire process as core systemic problems in the current organisational set-up.

The management team took a genuinely people-centric approach. They outlined core targets for the business as quality, delivery, profit, innovation, growth and relationship with clients. By focusing on nurturing employee motivation to deliver those targets, they designed the organisation in such a way that they believed would support the three prime motivational elements established by Dan Pink's research: autonomy, mastery and purpose. Because Matt Black Systems' people are rewarded against their own personal results, they realise that their success, the success of the business as a whole and the success of the clients are firmly linked together.

Unlike most traditional business models, the business acts as the supplier to the employees (for example, providing the investment, the workspace, the brand and the business management software). Such a model puts pressure on the business to deliver more efficient and effective tools, so that the employees can deliver more efficiently and effectively to their customers.

Crafting the organisational environment – a systemic approach

The owners saw the solution in allowing individuals to exercise control over how they work – within the parameters that ensure sustainability of the business (including compliance with the regulatory and health and safety standards). However, rather than setting up arbitrary boundaries, the organisational design has been developed as a holistic system that replicates the complexity of the external environment, but allows the individual employee to act on that complexity rather than constraining them to a certain way of working. For example, the workloads are controlled by individuals being able to oversee all the functions and, therefore, only making such delivery commitments to the customer that they feel are achievable.

To quote Andrew Holm:

'The design of our business is as a fractal of [the industry] as a whole. It is a bit like a Russian doll, where one doll opens up to reveal another doll, which opens up to reveal another doll and so on. It is this holistic approach which is key.

Matt Black Systems: Crafting the organisational environment (continued)

'Treating business as a system means overcoming the artificial split into individual function (for example sales, purchasing, design, manufacture, quality, human resources). Instead, the individual has to understand all the complexities of the system as a whole and in particular how all the individual components interact. In a traditional operating model; failure often occurs at these critical points of interaction, at the boundaries of functional departments.'

Matt Black Systems currently employs 12 engineering designers, all of whom are fully trained to cover all operations, from processing customer orders and purchasing material, through manufacturing capabilities and assembly techniques and into test, inspection and despatch. This approach removes the issue of silos, but most crucially allows staff to take control of (and responsibility for) every project from start to finish. Effectively each designer operates as an entrepreneur.

Their work is supported by bespoke software that allows operators to take projects seamlessly from conception to execution to sales. It has in-built tools that provide the overall framework for dealing with any aspect of the project, but also allow a degree of flexibility to adjust each template to the nature of task at hand. The software also contains information and training material that is used by the newcomers to develop their knowledge and skills within the real-time working environment.

The journey to a networked organisation

However, at the beginning of the journey, Julian and Andrew were mindful that a gradual approach rather than an overnight change in the ways of working was necessary to engage people with the need to change. For example, when tackling the first issue of employees' reliance on paid overtime, they decided to remove overtime policy, while giving the employees a compensation on top of their regular salary which was equivalent to the overtime pay they were previously getting. The second step was adding a bonus for delivery on time. Both of these tactics – introduced in consultation with staff – dramatically improved productivity levels, but more importantly contributed to a gradual mindset shift, where operators were becoming increasingly in control of the value they were adding and consequently their income.

Eventually, the level of responsibility that each operator assumed for their work allowed them to develop relevant skills and take ownership of complete projects, from start to finish. Within the business they operate an internal marketplace, where all 12 are individual entrepreneurs, designing, manufacturing and marketing their own products. They are all working to common KPIs and can trade between themselves to achieve the target performance. For example, if one operator wins a large contract, they can 'employ' other colleagues to help them deliver the project for a fee (expressed in internal currency) that they agree. Equally, operators decide themselves when and where they work, as long as they've agreed with their colleagues how they are contributing to the overall performance target. Individual pay is determined as a percentage of the individual profit.

Andrew and Julian act as investors for the Matt Black Systems staff, but from a leadership point of view they act as stewards, designing and looking after the organisational system where employees can flourish. They believe that the systemic approach principle (rather than specific practice) of Matt Black Systems can be adopted by other organisations.

Julian Wilson says, *'It is not so much how we do things but the fact that all people and processes are arranged as a system. We champion organisational design, not a specific model, the same way we would champion bicycle design rather than a single model of bicycle. Most organisations are assembled rather thoughtlessly from a bag of popular organisational "bits", then patched to overcome the worst and most immediate problems. This is not a good way to design bicycles, nor is it a good way of designing organisations.'*

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